

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0924-01
Bill No.: HB 479
Subject: Tax Credits; Business and Commerce; Boards, Commissions, Committees,
Councils
Type: Original
Date: April 15, 2011

Bill Summary: This proposal increases the annual cap on the tax credits certified for qualified film production projects from \$4.5 million to \$10 million.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$0 to (\$5,500,000)	\$0 to (\$5,500,000)	\$0
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$5,500,000)	\$0 to (\$5,500,000)	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning (BAP)** assume this proposal increases the annual cap on the Film Tax Credit program from \$4.5 million to \$10 million, beginning with tax years beginning January 2011. Redemptions in FY10 totaled \$1.9 million, but \$5.2 million in credits was issued. Therefore this proposal may reduce general and total state revenues by an amount exceeding \$5.5 million annually, beginning in FY12. Other economic activity may be encouraged by this credit, but BAP cannot estimate the induced revenues.

Officials at the **Department of Economic Development** assume the proposed legislation increases the annual cap on the Film Production Tax Credit from \$4.5 million to \$10 million. This increase in the cap of \$5.5 million for the Film Production Tax Credit would result in a negative impact to total state revenue. However, there would be an offset of unknown short-term positive economic benefits as a result of this increase so the exact amount of the impact cannot be determined.

The increase in the cap for the Film Production Tax Credit would result in the need for one additional FTE in the Division of Business and Community Services (BCS). This FTE would be an Economic Development Incentive Specialist III and would be responsible for reviewing the tax credit applications to make sure they meet the criteria of the program, drafting and sending the tax credit awards, and ensuring compliance with the program.

Oversight assumes this proposal just raises the existing cap on an existing tax credit program. Therefore, DED can absorb the duties of this proposal with existing staff.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

Officials at the **Department of Revenue** assume that there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Oversight assumes this proposal increases the cap from \$4,500,000 to \$10,000,000 beginning on January 1, 2011. Oversight will show the increase as a loss to total state revenue of \$0 (no additional credits issued) to \$5,500,000 (additional credits issued to the new cap of \$10,000,000).

Oversight assumes this proposal is to sunset on November 28, 2013 which is fiscal year FY 13. Since it is possible for the full amount of the tax credits to be issued in FY 2013 before the program sunsets Oversight will show the full amount of the increase in tax credits issued in FY 2013.

Oversight assumes there would be some positive economic benefit to the state as a result of the changes in this proposal; however, Oversight considers these benefits to be indirect and therefore, have not reflected them in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
<u>Loss - Dept of Economic Development increase in film tax credit cap</u>	<u>\$0 to</u> <u>(\$5,500,000)</u>	<u>\$0 to</u> <u>(5,500,000)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 to</u> <u>(\$5,500,000)</u>	<u>\$0 to</u> <u>(5,500,000)</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

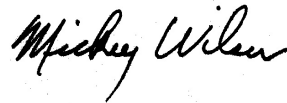
FISCAL DESCRIPTION

Beginning January 1, 2011, this bill increases the annual cap on tax credits certified for qualified film production projects from \$4.5 million to \$10 million.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 15, 2011